

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Ishpeming	County Margarette
Audit Date 3/31/06	Opinion Date 5/19/06	Date Accountant Report Submitted to State: 8-16-06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PC			
Street Address 102 W. Washington St. Suite 109	City Margarette	State MI	ZIP 49855
Accountant Signature <i>Michael J. Anderson</i>			

TOWNSHIP OF ISHPEMING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2006

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REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

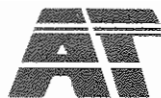
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GREEN BAY
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INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
1575 US Highway 41, West
Ishpeming, Michigan, 49849

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Ishpeming, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township of Ishpeming, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Ishpeming, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Ishpeming, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006 on our consideration of the Township of Ishpeming, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of
the Township Board of Trustees

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 34 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ishpeming, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 19, 2006

Township of Ishpeming, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Ishpeming's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- ▶ Net assets for the Township as a whole increased by \$12,697 as a result of this year's operations. Net assets of our business-type activities increased by \$27,039 or 1 percent, and net assets of our governmental activities decreased by \$14,342, or 1 percent.
- ▶ During the year, the Township had expenses for governmental activities that were \$964,997 and expenses for business type activities that were \$499,427.
- ▶ The General Fund reported a net fund balance of \$1,024,987. Net loss was \$119,105 lower than the forecasted decrease of \$125,007.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment Fund and Water Fund are reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

- The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2006 and 2005.

TABLE 1
NET ASSETS

	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006	Total Primary Government – 2005
Current and other assets	\$1,814,090	\$1,547,525	\$3,361,615	\$3,259,845
Capital assets, net	797,404	2,830,412	3,627,816	3,745,729
Total Assets	2,611,494	4,377,937	6,989,431	7,005,574
Current liabilities	52,703	51,392	104,095	113,241
Non-current liabilities	126,744	-	126,744	146,438
Total Liabilities	179,447	51,392	230,839	259,679
Net Assets:				
Invested in capital assets, net of related debt	797,404	2,830,412	3,627,816	3,745,729
Restricted	-	-	-	-
Unrestricted (deficit)	1,634,643	1,496,133	3,130,776	3,000,166
Total Net Assets	<u>\$2,432,047</u>	<u>\$4,326,545</u>	<u>\$6,758,592</u>	<u>\$6,745,895</u>

Net assets of the Township's governmental activities stood at \$2,432,047. *Unrestricted net assets*—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,634,643.

The \$1,634,643 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$4,326,545. The Township can generally only use these net assets to finance continuing operations of the Water and Sewer System operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2
Statement of Activities

	Governmental Activities –2006	Business-Type Activities–2006	Total Primary Government – 2006	Total Primary Government – 2005
Revenues				
Program Revenues:				
Charges for services	\$239,854	\$478,262	\$718,116	\$738,398
Operating Grants and Contributions	68,175	-	68,175	16,732
General Revenues:				
Property taxes	285,287	-	285,287	270,446

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006	Total Primary Government – 2005
State Sources	\$265,250	\$-	\$265,250	\$266,895
Interest and Miscellaneous	92,089	48,204	140,293	154,555
Total Revenues	950,655	526,466	1,477,121	1,447,026
Program Expenses:				
Legislative	9,840	-	9,840	6,513
Elections	3,110	-	3,110	4,657
General Services and Administration	212,461	-	212,461	204,075
Public Safety	288,294	-	288,294	208,889
Public Works	324,986	-	324,986	214,267
Community & Economic Development	15,128	-	15,128	12,919
Recreation and Culture	7,062	-	7,062	8,825
Other	104,116	-	104,116	161,827
Unallocated depreciation	-	-	-	-
Water	-	166,140	166,140	165,575
Sewer	-	333,287	333,287	364,487
Total Expenses	964,997	499,427	1,464,424	1,352,034
Excess (deficiency) before transfers	(14,342)	27,039	12,697	94,992
Transfers	-	-	-	-
Increase (decrease) in net assets	(14,342)	27,039	12,697	94,992
Net assets, beginning, as restated	2,446,389	4,299,506	6,745,895	6,650,903
Net Assets, Ending	\$2,432,047	\$4,326,545	\$6,758,592	\$6,745,895

The Township's total revenues were \$1,477,121. The total cost of all programs and services was \$1,464,424, leaving an increase in net assets of \$12,697. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the Township's governmental activities decreased \$14,342 for the year ended March 31, 2006.

This was from Governmental fund net gain of \$1,919 (describe under governmental funds), reclassifying Capital Outlay from expenditures to fixed assets of \$41,196, recording depreciation expense of \$75,006, reclassifying principal payments from expenditures to long term liabilities of \$18,384 and record compensated absence liability expense of \$835.

Business-type Activities

During the year ended March 31, 2006, the net assets of the Township's business type activities increased by \$27,039.

Charging revenue for the bond principal payment which reflects as revenue with no expense but paying of a liability creating net income.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$1,800,088, an increase of \$1,919 from the beginning of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The general fund was overspent by \$5,902. We overspent by not adjusting the amount put in the street and road funds.

The Fire Department had a major expenditure in 2004 and went into debt. Last year they cut down on expenditures to pay back the loan and start saving for a new fire vehicle.

The Street Improvement Fund was originally budgeted for \$84,000 of revenue. \$50,000 from the General Fund, \$4,000 interest and \$30,000 from prior year balance. The construction work was originally estimated to be \$81,000 and poor soil was encountered making the cost increase. We were approximately \$40,970 over budget because of unexpected soil conditions and a storm drain project which was added.

Non Major Governmental Funds – The Capital Improvement budget was approved for \$56,000 using \$35,000 from prior year balances to construct a new restroom facility at the playgrounds. The restroom costs were \$41,196 which was less than budgeted. Street Lighting was close to budget.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not revise the budget.

The reason for not amending the budget was at the end of the year we did not feel it was necessary. However, after year-end we received several accounts payable that put us over budget.

Revenues were \$19,599 greater than our budget.

We underestimated the taxable value and the interest received by the Township. We overestimated the State Shared Revenue and service charges. We underestimated revenue by 3.26%.

The expenditures were \$99,506 less than over budget.

We budget for the worst case and hopefully we under spend, which we did.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006 and 2005, the Township had \$1,384,734 and \$1,472,461 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2006	Business-Type Activities – 2006	Totals–2006	Totals – 2005
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	-	60,693	60,693	-
Buildings and improvements	615,184	516,585	1,131,769	1,227,401
Equipment and furnishings	182,220	10,052	192,272	245,060
	<u>\$ 797,404</u>	<u>\$ 587,330</u>	<u>\$ 1,384,734</u>	<u>\$ 1,472,461</u>

The Township recorded \$128,923 is depreciation expense for the year, constructed a recreational restroom facility for \$41,196.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end of fiscal year 2006 and 2005, the Township had debt of \$75,463 and \$110,305. (See table 4 below). Refer to the footnotes for detail breakout and explanation of the Township Long-Term Debt.

Table 3 Debt at Year-End				
	Governmental Activities – 2006	Business-Type Activities – 2006	Totals – 2006	Totals – 2005
Bonds Payable	<u>\$75,463</u>	<u>\$ -</u>	<u>\$75,463</u>	<u>\$110,305</u>
Totals	<u>\$75,463</u>	<u>\$ -</u>	<u>\$75,463</u>	<u>\$110,305</u>

The Township has \$34,842 in principal payments for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budgets for year ending 2007, we took last year's actual numbers and added a three percent increase across the board. We also have planned for a decrease in expenditures due to an addition being added onto the Fire Department in the prior year and the construction of new bathrooms in the recreation area.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Ishpeming, 1575 U.S. Highway 41 West, Ishpeming, Michigan 49849.

Township of Ishpeming, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,348,059	\$ 1,316,655	\$ 2,664,714
Investments	-	153,434	153,434
Receivables (net)	439,578	67,226	506,804
Prepaid Expense	26,453	10,210	36,663
TOTAL CURRENT ASSETS	1,814,090	1,547,525	3,361,615
Non-current assets:			
Investment in IAWTF	-	2,243,082	2,243,082
Capital assets	2,071,081	2,407,635	4,478,716
Accumulated depreciation	(1,273,677)	(1,820,305)	(3,093,982)
Total Capital Assets	797,404	587,330	1,384,734
TOTAL NON-CURRENT ASSETS	797,404	2,830,412	3,627,816
TOTAL ASSETS	2,611,494	4,377,937	6,989,431
LIABILITIES:			
Current Liabilities:			
Accounts payable	9,932	49,000	58,932
Accrued liabilities	4,070	2,392	6,462
Deferred revenue	-	-	-
Accrued interest	-	-	-
Current portion of bonds payable	20,320	-	20,320
Other current compensated	18,381	-	18,381
TOTAL CURRENT LIABILITIES	52,703	51,392	104,095
Non-current Liabilities:			
Compensated absences	71,601	-	71,601
Bonds payable	55,143	-	55,143
TOTAL NON-CURRENT LIABILITIES	126,744	-	126,744
TOTAL LIABILITIES	179,447	51,392	230,839
NET ASSETS			
Invested in capital assets net of related debt	797,404	2,830,412	3,627,816
Restricted for:			
Debt Service	-	-	-
Unrestricted	1,634,643	1,496,133	3,130,776
TOTAL NET ASSETS	\$ 2,432,047	\$ 4,326,545	\$ 6,758,592

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2006

General Revenues:

Net assets, beginning of year,

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	General Fund	Fire Department Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 762,672	\$ 52,913	\$ 225,058	\$ 307,416	\$ 1,348,059
Receivables	89,959	14,824	-	16,656	121,439
Prepaid expense	20,388	6,065	-	-	26,453
Due from other funds	165,970	127,629	-	24,540	318,139
TOTAL ASSETS	\$ 1,038,989	\$ 201,431	\$ 225,058	\$ 348,612	\$ 1,814,090
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 9,932	\$ -	\$ -	\$ -	\$ 9,932
Accrued payroll and related	4,070	-	-	-	4,070
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	14,002	-	-	-	14,002
FUND BALANCE:					
Unreserved:	1,024,987	201,431	225,058	348,612	1,800,088
TOTAL FUND BALANCE	1,024,987	201,431	225,058	348,612	1,800,088
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,038,989	\$ 201,431	\$ 225,058	\$ 348,612	\$ 1,814,090

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2006

Total Fund Balances for Governmental Funds **\$ 1,800,088**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	2,071,081	
Accumulated Deprecation of Assets	<u>(1,273,677)</u>	797,404

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 20,320	
Current portion of compensated absences	18,381	
Compensated absences	71,601	
Bonds payable	<u>55,143</u>	
		(165,445)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,432,047</u></u>

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	General Fund	Fire Department Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 117,514	\$ 139,803	\$ -	\$ 27,970	\$ 285,287
State sources	265,250	62,851	5,324	-	333,425
Charges for services	193,398	46,456	-	-	239,854
Interest	25,596	1,672	11,494	13,187	51,949
Other	19,750	4,481	-	15,909	40,140
TOTAL REVENUES	621,508	255,263	16,818	57,066	950,655
EXPENDITURES:					
Current operations:					
Legislative	9,840	-	-	-	9,840
Elections	2,110	-	-	-	2,110
General services and administration	189,339	-	-	-	189,339
Public safety	68,263	174,537	-	-	242,800
Public works	183,012	-	124,970	30,488	338,470
Health and welfare	-	-	-	-	-
Community and economic development	15,128	-	-	-	15,128
Recreation and culture	5,602	-	-	135	5,737
Other	104,116	-	-	-	104,116
Capital outlay	-	-	-	41,196	41,196
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	577,410	174,537	124,970	71,819	948,736
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,098	80,726	(108,152)	(14,753)	1,919
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	50,000	-	50,000
Transfers (out)	(50,000)	-	-	-	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	50,000	-	-
CHANGE IN FUND BALANCE	(5,902)	80,726	(58,152)	(14,753)	1,919
Fund balance, beginning of year	1,030,889	120,705	283,210	363,365	1,798,169
FUND BALANCE, END OF YEAR	\$1,024,987	\$ 201,431	\$ 225,058	\$ 348,612	\$ 1,800,088

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 1,919

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 41,196	
Depreciation expense	<u>(75,006)</u>	(33,810)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(835)

Repayment of loan principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net assets.

18,384

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (14,342)

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2006

	Business - Type Activities Enterprise Funds		
	Water System Fund	Sewer System Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 676,970	\$ 639,685	\$ 1,316,655
Investments	-	153,434	153,434
Accounts receivable, net	25,480	41,746	67,226
Due from other funds	-	-	-
Prepaid expense	1,986	8,224	10,210
TOTAL CURRENT ASSETS	704,436	843,089	1,547,525
Non-current Assets:			
Investment in IAWTF	-	2,243,082	2,243,082
Capital assets	1,130,175	1,277,460	2,407,635
Accumulated depreciation	(864,524)	(955,781)	(1,820,305)
TOTAL NON-CURRENT ASSETS	265,651	2,564,761	2,830,412
TOTAL ASSETS	\$ 970,087	\$ 3,407,850	\$ 4,377,937
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	-	-
Accrued liabilities	1,272	1,120	2,392
Due to other funds	26,500	22,500	49,000
Accrued interest payable	-	-	-
Current portion of long-term debt	-	-	-
TOTAL CURRENT LIABILITIES	27,772	23,620	51,392
Non-current Liabilities:			
Bond payable	-	-	-
TOTAL NON-CURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	27,772	23,620	51,392
NET ASSETS:			
Invested in capital assets net of related debt	265,651	2,564,761	2,830,412
Restricted - debt service	-	-	-
Unrestricted	676,664	819,469	1,496,133
TOTAL NET ASSETS	\$ 942,315	\$ 3,384,230	\$ 4,326,545

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended March 31, 2006

		Business - Type Activities Enterprise Funds	
	Water System Fund	Sewer System Fund	Total
OPERATING REVENUES:			
Charges for services (net)	\$ 182,804	\$ 295,458	\$ 478,262
Other operating revenue	-	-	-
TOTAL OPERATING REVENUES	182,804	295,458	478,262
OPERATING EXPENSES:			
Operating expenses	138,669	276,655	415,324
Depreciation	27,471	26,446	53,917
TOTAL OPERATING EXPENSES	166,140	303,101	469,241
OPERATING INCOME (LOSS)	16,664	(7,643)	9,021
NON-OPERATING REVENUES (EXPENSES):			
Investment income	24,338	23,866	48,204
Gain (loss) on investment in IAWTF	-	(30,186)	(30,186)
Interest expense	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	24,338	(6,320)	18,018
INCOME (LOSS) BEFORE TRANSFERS	41,002	(13,963)	27,039
CHANGE IN NET ASSETS	41,002	(13,963)	27,039
Net assets, beginning of year	901,313	3,398,193	4,299,506
NET ASSETS, END OF YEAR	\$ 942,315	\$ 3,384,230	\$ 4,326,545

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended March 31, 2006

	Business -Type Activities Enterprise Funds		
	Water System Fund	Sewer System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fees and charges for services	\$ 187,525	\$ 296,731	\$ 484,256
Other operating revenues	-	-	-
Cash payments to employees for services	213	84	297
Cash payments to suppliers for goods and services	(134,677)	(274,566)	(409,243)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	53,061	22,249	75,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash payments for capital assets	-	-	-
Investment in IAWTF	-	-	-
Interest payments on bonds	-	-	-
Principal payments on bonds	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	24,338	23,866	48,204
(Additions) deductions to investments	-	(153,434)	(153,434)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	24,338	(129,568)	(105,230)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,399	(107,319)	(29,920)
Cash and cash equivalents, beginning of year	599,571	747,004	1,346,575
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 676,970	\$ 639,685	\$ 1,316,655
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 16,664	\$ (7,643)	\$ 9,021
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	27,472	26,445	53,917
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	4,721	1,273	5,994
(Increase) decrease in prepaid expense	491	(1,410)	(919)
(Increase) decrease in due from funds	3,500	3,500	7,000
Increase (decrease) in accrued interest	-	-	-
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in accrued liabilities	213	84	297
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 53,061	\$ 22,249	\$ 75,310

The accompanying notes are an integral part of these financial statements.

Township of Ishpeming, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2006

	Agency Funds
ASSETS:	
Cash and cash equivalents	\$ 308,941
Due from other funds	-
TOTAL ASSETS	\$ 308,941
LIABILITIES:	
Due to other funds	\$ 269,139
Due to others	39,802
TOTAL LIABILITIES	\$ 308,941

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ISHPEMING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility and Water Fund are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- ▶ The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- ▶ The **Fire Fund** accounts for the activity related to the Fire Department.

The Township reports the following major proprietary funds:

- ▶ The **Sewer System Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.
- ▶ The **Water System Fund** accounts for the management of water services, including billing, maintenance and construction.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(3)BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$2,664,714	\$308,941	\$2,973,655
Investments	153,434	-	153,434
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
TOTALS	\$2,818,148	\$308,941	\$3,127,089

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the Township's deposits with financial institutions were \$3,127,089 and the bank balance was \$3,130,625. The bank balance is categorized as follows:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$617,621
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	
Collateralized and uninsured	2,513,004
	<u>\$3,130,625</u>

Investments

As of March 31, 2006, the Township had the following investments.

		Investment Maturities (In years)			
	Fair Value	Less than 1	1-5	6-10	More than 10
PRIMARY GOVERNMENT:					
Unrestricted Investments:					
Financing Corp CPN FICO Strips	52,849	\$-	\$52,849	\$-	\$-
Federal National Mortgage Association	100,586	-	-	100,586	-
FNMA Strips					
TOTAL INVESTMENTS	\$153,434	\$-	\$52,849	\$100,586	\$-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. Ratings are not required for the Township's investment in U.S. Government Agencies or equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

All Interfund balance from Fiduciary Funds is related to property taxes disbursements not record as of the year end. The Interfund between the General Fund and Water/Sewer Funds are for payroll taxes in the current to be reimbursed for \$49,000.

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	\$165,970	Fire	\$ -
		Water	26,500
		Sewer	22,500
		Fiduciary Fund	116,970
Fire	127,629	Fiduciary Fund	127,629
Non-major Special Revenues	24,540	Fiduciary Fund	24,540
	<u>\$318,139</u>		<u>\$318,139</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	<u>Balance at April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at March 31, 2006</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	955,808	41,196	-	997,004
Furniture and equipment	1,074,077	-	-	1,074,077
Total Capital Assets, being depreciated	<u>2,029,885</u>	<u>41,196</u>	-	<u>2,071,081</u>
Less Accumulated Depreciation:				
Buildings and improvements	(357,925)	(23,895)	-	(381,820)
Furniture and equipment	(840,746)	(51,111)	-	(891,857)
Total Accumulated Depreciation	<u>(1,198,671)</u>	<u>(75,006)</u>	-	<u>(1,273,677)</u>
Governmental Activities Capital Assets, Net	<u>\$ 831,214</u>	<u>(\$33,800)</u>	<u>\$ -</u>	<u>\$ 797,404</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

General Government	\$5,287
Public Works	4,900
Public Safety	63,494
Recreation and Culture	1,325
Total	<u>\$75,006</u>

NOTE D – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
BUSINESS-TYPE ACTIVITIES:				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, not being depreciated	-	-	-	-
Buildings and improvements	2,290,367	-	-	2,290,367
Equipment	117,268	-	-	117,268
Total Capital Assets, being depreciated	2,407,635	-	-	2,407,635
Less Total Accumulated Depreciation	(1,766,388)	(53,917)	-	(1,820,305)
Business Type Activities Capital Assets, Net	\$ 641,247	\$ (53,917)	\$ -	\$ 587,330

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Water System	\$27,471
Sewer System	26,466
Total Depreciation Expense – Business-Type Activities	<u>\$53,917</u>

NOTE E – LONG-TERM DEBT:

SCHEDULE OF MARQUETTE COUNTY SOLID WASTE MANAGEMENT BONDS
March 31, 2006

	November 1	May 1		
	Interest	Interest	Principal	Total
2007	\$2,322	\$3,338	\$20,320	\$25,980
2008	1,754	2,310	21,770	25,834
2009	653	1,742	23,706	26,101
2010	-	652	9,667	10,319
TOTALS	<u>\$4,729</u>	<u>\$8,042</u>	<u>\$75,463</u>	<u>\$88,234</u>

The Township of Ishpeming is obligated to reimburse Marquette County Solid Waste Management Authority a proportional share of the debt service costs associated with bonds issued to construct the Solid Waste Disposal System located in Marquette County. A schedule of the Township's required payments is as follows:

	April 1, 2005	Additions	Subtractions	March 31, 2006
Governmental Activities:				
Landfill Bond	\$110,305	\$ -	\$34,842	\$75,463
Total Governmental Activities	<u>\$110,305</u>	<u>\$ -</u>	<u>\$34,842</u>	<u>\$75,463</u>
 TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	 <u>\$110,305</u>	 <u>\$ -</u>	 <u>\$34,842</u>	 <u>\$75,463</u>

NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Local Governmental Unit totaled \$68,367,594 on which ad valorem taxes levied consisted of 1.2418 mills for the Local Governmental Unit operation purposes 2.000 mills for Fire Department Services and .4000 mills for street lighting. These amounts are recognized in the respective fund financial statements as revenue.

NOTE G – OTHER POST EMPLOYMENT BENEFITS:

The Township of Ishpeming offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended March 31, 2006 was \$-0-.

NOTE H – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE I – PENSION TRUST FUND:

The Township has a pension plan for its all full time employees. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 10% of the employee's annual salary to the Plan. The total contribution for the year ended March 31, 2006 was \$24,111. In January 2006 the Township started the conversion process from Manufacturers Life to MERS for their pension plan.

NOTE J – JOINT VENTURE:Ishpeming Area Joint Wastewater Treatment Board

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Board shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

NOTE J – JOINT VENTURE (Continued):

The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2005, is as follows:

Assets	\$ 6,951,571
Liabilities	154,356
Equity - All local units	6,797,215
Operating Revenues	709,491
Operating Expenses	865,025
Other Income	64,056
Net Income (loss)	(91,478)
City's Share of Net Income (loss)	(30,188)

Marquette County Solid Waste Management Authority

In February 1990, the Township of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2005 is as follows:

Total Assets	\$ 13,560,611
Total Liabilities	2,075,460
Total Net Assets	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Total Joint Venture's Outstanding Debt	624,875

NOTE J – JOINT VENTURE (Continued):

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

NOTE K – VESTED EMPLOYEE BENEFITS:

Employees can earn sick leave and vacation at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation and sick days accumulated at their current rate of pay.

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$18,381
Long-term portion	71,601
TOTAL	<u>\$89,982</u>

NOTE L – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following activity and/or programs had excess expenditures over appropriations at March 31, 2006:

Activity/Program	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Township Hall and Grounds	\$94,550	\$95,265	\$715
Public Safety:			
Police Department	50,400	56,119	5,719
Animal Control	12,000	12,144	144
Special Revenue:			
Fire Fund	173,257	174,537	1,280
Special Revenue:			
Street Improvement	81,000	124,970	43,970

NOTE M – INTERFUND TRANSFERS:

A summary of Interfund transfers are:

The transfer from general to street improvement fund is for funding purposes:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
PRIMARY GOVERNMENT:			
Street Improvement	\$50,000	General	\$ 50,000

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

Township of Ishpeming, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 94,669	\$ 94,669	\$ 117,514	\$ 22,845
State sources	272,000	272,000	265,250	(6,750)
Charges for services	203,100	203,100	193,398	(9,702)
Interest	13,800	13,800	25,596	11,796
Other revenues	18,340	18,340	19,750	1,410
TOTAL REVENUES	601,909	601,909	621,508	19,599
EXPENDITURES:				
Legislative	13,200	13,200	9,840	3,360
Elections	5,400	5,400	2,110	3,290
General services and administration	204,661	204,661	189,339	15,322
Public safety	62,400	62,400	68,263	(5,863)
Public works	220,155	220,155	183,012	37,143
Health and welfare	-	-	-	-
Community and economic development	22,500	22,500	15,128	7,372
Recreation and culture	13,100	13,100	5,602	7,498
Other	135,500	135,500	104,116	31,384
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	676,916	676,916	577,410	99,506
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(75,007)	(75,007)	44,098	119,105
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	(50,000)	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	(50,000)	(50,000)	-
CHANGE IN FUND BALANCE	(125,007)	(125,007)	(5,902)	119,105
Fund balance, beginning of year	1,030,889	1,030,889	1,030,889	-
FUND BALANCE, END OF YEAR	\$ 905,882	\$ 905,882	\$ 1,024,987	\$ 119,105

Township of Ishpeming, Michigan

FIRE DEPARTMENT FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 129,700	\$ 129,700	\$ 139,803	\$ 10,103
State sources	-	-	62,851	62,851
Charges for services	44,964	44,964	46,456	1,492
Interest	-	-	1,672	1,672
Other revenues	-	-	4,481	4,481
TOTAL REVENUES	174,664	174,664	255,263	80,599
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	173,257	173,257	174,537	(1,280)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	173,257	173,257	174,537	(1,280)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,407	1,407	80,726	79,319
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	1,407	1,407	80,726	79,319
Fund balance, beginning of year	120,705	120,705	120,705	-
FUND BALANCE, END OF YEAR	\$ 122,112	\$ 122,112	\$ 201,431	\$ 79,319

Township of Ishpeming, Michigan

STREET IMPROVEMENT FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
State sources	-	-	5,324	5,324
Charges for services	-	-	-	-
Interest	4,000	4,000	11,494	7,494
Other revenues	-	-	-	-
TOTAL REVENUES	4,000	4,000	16,818	12,818
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	-	-	-	-
Public works	81,000	81,000	124,970	(43,970)
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	81,000	81,000	124,970	(43,970)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,000)	(77,000)	(108,152)	(31,152)
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000	-
CHANGE IN FUND BALANCE	(27,000)	(27,000)	(58,152)	(31,152)
Fund balance, beginning of year	283,210	283,210	283,210	-
FUND BALANCE, END OF YEAR	\$ 256,210	\$ 256,210	\$ 225,058	\$ (31,152)

Other Supplemental Information

Township of Ishpeming, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 75,169	\$ 82,074	\$ 6,905
Delinquent taxes	-	7,176	7,176
Commercial forest reserve	-	1,410	1,410
Swamp tax	-	280	280
Tax collection fees	19,500	26,574	7,074
Total Taxes	<u>94,669</u>	<u>117,514</u>	<u>22,845</u>
State Sources:			
State revenue sharing	272,000	265,250	(6,750)
Total State Sources	<u>272,000</u>	<u>265,250</u>	<u>(6,750)</u>
Charges for Services:			
Sanitation services	182,000	172,546	(9,454)
Administrative services	15,500	16,000	500
Miscellaneous services	5,600	4,852	(748)
Total Charges for Services	<u>203,100</u>	<u>193,398</u>	<u>(9,702)</u>
Interest and Rents			
Interest	12,000	22,171	10,171
Rents	1,800	3,425	1,625
Total Interest and Rents	<u>13,800</u>	<u>25,596</u>	<u>11,796</u>
Other Revenues:			
Miscellaneous other	18,340	19,750	1,410
Total Other Revenues	<u>18,340</u>	<u>19,750</u>	<u>1,410</u>
TOTAL REVENUES	<u>601,909</u>	<u>621,508</u>	<u>19,599</u>
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	5,000	3,636	1,364
Other services and charges	8,200	6,204	1,996
TOTAL LEGISLATIVE	<u>13,200</u>	<u>9,840</u>	<u>3,360</u>
ELECTIONS:			
Personnel services	3,000	778	2,222
Supplies	1,900	1,211	689
Other services and charges	500	121	379
TOTAL ELECTIONS	<u>5,400</u>	<u>2,110</u>	<u>3,290</u>

Township of Ishpeming, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 13,686	\$ 13,686	\$ -
Supplies	-	-	-
Other services and charges	700	611	89
Total Supervisor	<u>14,386</u>	<u>14,297</u>	<u>89</u>
Assessor:			
Personnel services	36,500	34,269	2,231
Supplies	2,400	1,134	1,266
Other services and charges	1,200	775	425
Capital outlay	1,500	-	1,500
Total Assessor	<u>41,600</u>	<u>36,178</u>	<u>5,422</u>
Clerk:			
Personnel services	17,286	16,910	376
Supplies	-	-	-
Other services and charges	450	176	274
Capital outlay	1,000	-	1,000
Total Clerk	<u>18,736</u>	<u>17,086</u>	<u>1,650</u>
Board of Review:			
Personnel services	600	342	258
Supplies	-	-	-
Other services and charges	100	140	(40)
Total Board of Review	<u>700</u>	<u>482</u>	<u>218</u>
Treasurer:			
Personnel services	17,884	16,968	916
Supplies	7,000	142	6,858
Other services and charges	8,805	8,421	384
Capital outlay	1,000	500	500
Total Treasurer	<u>34,689</u>	<u>26,031</u>	<u>8,658</u>
Township Hall and Grounds:			
Personnel services	48,200	51,225	(3,025)
Supplies	11,000	15,267	(4,267)
Other services and charges	25,350	25,381	(31)
Capital outlay	10,000	3,392	6,608
Total Township Hall and Grounds	<u>94,550</u>	<u>95,265</u>	<u>(715)</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>204,661</u>	<u>189,339</u>	<u>15,322</u>

Township of Ishpeming, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
PUBLIC SAFETY:			
Police Department			
Personnel services	\$ 37,000	\$ 45,403	\$ (8,403)
Supplies	2,300	2,656	(356)
Other services and charges	6,100	4,976	1,124
Capital outlay	5,000	3,084	1,916
Total Police Department	<u>50,400</u>	<u>56,119</u>	<u>(5,719)</u>
Animal Control:			
Personnel services	10,300	10,194	106
Supplies	400	241	159
Other services and charges	1,300	1,709	(409)
Total Animal Control	<u>12,000</u>	<u>12,144</u>	<u>(144)</u>
TOTAL PUBLIC SAFETY	<u>62,400</u>	<u>68,263</u>	<u>(5,863)</u>
PUBLIC WORKS:			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	15,000	-	15,000
Capital outlay	10,000	-	10,000
Total Streets	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Sanitation			
Personnel services	8,800	5,808	2,992
Supplies	2,250	1,281	969
Other services and charges	184,105	150,316	33,789
Debt service	-	25,607	(25,607)
Total Sanitation	<u>195,155</u>	<u>183,012</u>	<u>12,143</u>
TOTAL PUBLIC WORKS	<u>220,155</u>	<u>183,012</u>	<u>37,143</u>
RECREATION AND CULTURE:			
Recreation			
Personnel services	4,000	3,770	230
Supplies	2,500	1,238	1,262
Other services and charges	1,600	594	1,006
Capital Outlay	5,000	-	5,000
TOTAL RECREATION AND CULTURE	<u>13,100</u>	<u>5,602</u>	<u>7,498</u>

Township of Ishpeming, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
COMMUNITY AND ECONOMIC DEVELOPMENT			
Zoning:			
Personnel services	\$ 9,000	\$ 6,468	\$ 2,532
Supplies	1,000	340	660
Other services and charges	12,500	8,320	4,180
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>22,500</u>	<u>15,128</u>	<u>7,372</u>
OTHER EXPENDITURES			
Fringe Benefits	84,400	67,221	17,179
Insurance and Bonds	20,000	23,700	(3,700)
Miscellaneous	31,100	13,195	17,905
TOTAL OTHER EXPENDITURES	<u>135,500</u>	<u>104,116</u>	<u>31,384</u>
TOTAL EXPENDITURES	<u>676,916</u>	<u>577,410</u>	<u>99,506</u>
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	<u>(75,007)</u>	<u>44,098</u>	<u>119,105</u>
OTHER FINANCING SOURCES (USES):			
Transfers In:	-	-	-
Transfers (Out):	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(125,007)</u>	<u>(5,902)</u>	<u>119,105</u>
Fund balance, beginning of year	<u>1,030,889</u>	<u>1,030,889</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 905,882</u></u>	<u><u>\$ 1,024,987</u></u>	<u><u>\$ 119,105</u></u>

Township of Ishpeming, Michigan
MAJOR GOVERNMENTAL FUNDS
FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 124,000	\$ 127,629	\$ 3,629
Delinquent taxes	3,700	9,489	5,789
Commercial forest reserve	2,000	2,685	685
Total Taxes	129,700	139,803	10,103
State Sources			
FEMA grant	-	62,851	62,851
Total State Sources	-	62,851	62,851
Charges for Services:			
Fire calls	44,964	46,456	1,492
Total Charges for Services	44,964	46,456	1,492
Interest:			
Interest income - investments	-	1,672	1,672
Total Interest	-	1,672	1,672
Other Revenue:			
Other Revenue	-	4,481	4,481
Total Other Revenues	-	4,481	4,481
TOTAL REVENUES	174,664	255,263	80,599
EXPENDITURES:			
Public Safety			
Fire Department:			
Personnel services	11,000	12,491	(1,491)
Supplies	5,000	8,346	(3,346)
Other services and charges	122,257	76,269	45,988
Capital Outlay	35,000	77,431	(42,431)
Total Fire Department	173,257	174,537	(1,280)
Total Public Safety	173,257	174,537	(1,280)
TOTAL EXPENDITURES	173,257	174,537	(1,280)
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	1,407	80,726	79,319
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	1,407	80,726	79,319
Fund balance, beginning of year	120,705	120,705	-
FUND BALANCE, END OF YEAR	\$ 122,112	\$ 201,431	\$ 79,319

Township of Ishpeming, Michigan

**MAJOR GOVERNMENTAL FUNDS
STREET IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State Sources:	\$ -	\$ 5,324	\$ 5,324
Interest:	4,000	11,494	7,494
TOTAL REVENUES	<u>4,000</u>	<u>16,818</u>	<u>12,818</u>
EXPENDITURES:			
Public Works:			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	81,000	124,970	(43,970)
Capital Outlay	-	-	-
Total Streets	<u>81,000</u>	<u>124,970</u>	<u>(43,970)</u>
Total Public Works	<u>81,000</u>	<u>124,970</u>	<u>(43,970)</u>
TOTAL EXPENDITURES	<u>81,000</u>	<u>124,970</u>	<u>(43,970)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(77,000)</u>	<u>(108,152)</u>	<u>(31,152)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	50,000	50,000	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(27,000)</u>	<u>(58,152)</u>	<u>(31,152)</u>
Fund balance, beginning of year	<u>283,210</u>	<u>283,210</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 256,210</u></u>	<u><u>\$ 225,058</u></u>	<u><u>\$ (31,152)</u></u>

Township of Ishpeming, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

BALANCE SHEET

March 31, 2006

ASSETS

	Senior Citizen Fund	Capital Improvement Fund	Recreation Fund	Streetsight Fund	Budget Stabilization Fund	Special Revenue Fund
Cash and cash equivalents	\$ 1,069	\$ 50,868	\$ 35,048	\$ 35,956	\$ 184,475	\$ 307,416
Accounts receivable	-	14,801	-	1,855	-	16,656
Due from other funds	-	-	-	24,540	-	24,540
TOTAL ASSETS	\$ 1,069	\$ 65,669	\$ 35,048	\$ 62,351	\$ 184,475	\$ 348,612

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-

FUND BALANCE:

Unreserved	1,069	65,669	35,048	62,351	184,475	348,612
TOTAL FUND BALANCE	1,069	65,669	35,048	62,351	184,475	348,612
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,069	\$ 65,669	\$ 35,048	\$ 62,351	\$ 184,475	\$ 348,612

Township of Ishpeming, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	Senior Citizens Fund	Capital Improvement Fund	Recreation Fund	Streetlight Fund	Budget Stabilization Fund	Special Revenue Fund Total Governmental Funds
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ 27,970	\$ -	\$ 27,970
Interest	36	2,068	1,044	1,362	8,677	13,187
Other	-	14,800	-	1,109	-	15,909
TOTAL REVENUES	36	16,868	1,044	30,441	8,677	57,066
EXPENDITURES:						
General Government	-	-	-	-	-	-
Public Works	-	-	-	30,488	-	30,488
Recreation and Culture	135	-	-	-	-	135
Capital Outlay	-	41,196	-	-	-	41,196
Other Functions	-	-	-	-	-	-
TOTAL EXPENDITURES	135	41,196	-	30,488	-	71,819
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(99)	(24,328)	1,044	(47)	8,677	(14,753)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	(99)	(24,328)	1,044	(47)	8,677	(14,753)
Fund balance, beginning of year	1,168	89,997	34,004	62,398	175,798	363,365
FUND BALANCE, END OF YEAR	\$ 1,069	\$ 65,669	\$ 35,048	\$ 62,351	\$ 184,475	\$ 348,612

Township of Ishpeming, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
SENIOR CITIZENS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest:	\$ 5	\$ 36	\$ 31
Other:	-	-	-
TOTAL REVENUES	<u>5</u>	<u>36</u>	<u>31</u>
EXPENDITURES:			
Recreation and Culture:			
Senior Citizens:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	150	135	15
Capital outlay	-	-	-
Total Senior Citizens	<u>150</u>	<u>135</u>	<u>15</u>
TOTAL EXPENDITURES	<u>150</u>	<u>135</u>	<u>15</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(145)</u>	<u>(99)</u>	<u>46</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	200	-	(200)
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>200</u>	<u>-</u>	<u>(200)</u>
CHANGES IN FUND BALANCE	<u>55</u>	<u>(99)</u>	<u>(154)</u>
Fund balance, beginning of year	<u>1,168</u>	<u>1,168</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,223</u></u>	<u><u>\$ 1,069</u></u>	<u><u>\$ (154)</u></u>

Township of Ishpeming, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest:	\$ 2,000	\$ 2,068	\$ 68
Other:	19,000	14,800	(4,200)
TOTAL REVENUES	<u>21,000</u>	<u>16,868</u>	<u>(4,132)</u>
EXPENDITURES:			
Capital Outlay:			
Capital Outlay:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	55,000	41,196	13,804
Total Capital Outlay	<u>55,000</u>	<u>41,196</u>	<u>13,804</u>
TOTAL EXPENDITURES	<u>55,000</u>	<u>41,196</u>	<u>13,804</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,000)</u>	<u>(24,328)</u>	<u>9,672</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>(34,000)</u>	<u>(24,328)</u>	<u>9,672</u>
Fund balance, beginning of year	89,997	89,997	-
FUND BALANCE, END OF YEAR	<u><u>\$ 55,997</u></u>	<u><u>\$ 65,669</u></u>	<u><u>\$ 9,672</u></u>

Township of Ishpeming, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
RECREATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ 750	\$ 1,044	\$ 294
Other	50	-	(50)
TOTAL REVENUES	<u>800</u>	<u>1,044</u>	<u>244</u>
EXPENDITURES:			
Recreation and Culture:			
Recreation:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	160,800	-	160,800
Total Recreation	<u>160,800</u>	<u>-</u>	<u>160,800</u>
TOTAL EXPENDITURES	<u>160,800</u>	<u>-</u>	<u>160,800</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(160,000)</u>	<u>1,044</u>	<u>161,044</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>(160,000)</u>	<u>1,044</u>	<u>161,044</u>
Fund balance, beginning of year	34,004	34,004	-
FUND BALANCE, END OF YEAR	<u><u>\$ (125,996)</u></u>	<u><u>\$ 35,048</u></u>	<u><u>\$ 161,044</u></u>

Township of Ishpeming, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
STREETLIGHT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 24,877	\$ 24,540	\$ (337)
Delinquent taxes	-	1,855	1,855
Commercial forest reserve	-	1,575	1,575
Total Taxes	<u>24,877</u>	<u>27,970</u>	<u>3,093</u>
Interest:			
Investment interest	1,000	1,362	362
Total Interest	<u>1,000</u>	<u>1,362</u>	<u>362</u>
Other:			
Other revenue	1,123	1,109	(14)
Total Other	<u>1,123</u>	<u>1,109</u>	<u>(14)</u>
TOTAL REVENUES	<u>27,000</u>	<u>30,441</u>	<u>3,441</u>
EXPENDITURES:			
Public Works:			
Streetlights:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	30,500	30,488	12
Capital outlay	-	-	-
Total Streetlights	<u>30,500</u>	<u>30,488</u>	<u>12</u>
TOTAL EXPENDITURES	<u>30,500</u>	<u>30,488</u>	<u>12</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,500)</u>	<u>(47)</u>	<u>3,453</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>(3,500)</u>	<u>(47)</u>	<u>3,453</u>
Fund balance, beginning of year	<u>62,398</u>	<u>62,398</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 58,898</u></u>	<u><u>\$ 62,351</u></u>	<u><u>\$ 3,453</u></u>

Township of Ishpeming, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
BUDGET STABILIZATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ -	\$ 8,677	\$ 8,677
Other	-	-	-
TOTAL REVENUES	-	8,677	8,677
EXPENDITURES:			
Other Functions:			
Other Functions:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Other Functions	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	8,677	8,677
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	-	8,677	8,677
Fund balance, beginning of year	175,798	175,798	-
FUND BALANCE, END OF YEAR	\$ 175,798	\$ 184,475	\$ 8,677

Township of Ishpeming, Michigan

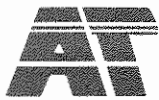
FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2006

	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$ 20,918	\$ 288,023	\$ 308,941
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 20,918</u>	<u>\$ 288,023</u>	<u>\$ 308,941</u>
LIABILITIES			
Due to other funds	\$ 7,009	\$ 262,130	\$ 269,139
Due to other governmental units	13,909	25,893	39,802
TOTAL LIABILITIES	<u>\$ 20,918</u>	<u>\$ 288,023</u>	<u>\$ 308,941</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Ishpeming Township, Michigan
1575 US Highway 41, West
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Township of Ishpeming, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township of Ishpeming, Michigan's basic financial statements and have issued our report thereon dated May 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Ishpeming, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we did not note any matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township of Ishpeming, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

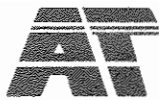
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*. Instances of non-compliance are described in a separate letter to management dated May 19, 2006.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 19, 2006



Township of Ishpeming, Michigan
Report to Management Letter
For the Year Ended March 31, 2006

To the Honorable Supervisor and Members of
The Township Board
Township of Ishpeming, Michigan
Ishpeming, MI 49849

In planning and performing our audit of the financial statements of the Township of Ishpeming, Michigan for the year ended March 31, 2006; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could affect the Township of Ishpeming, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Members of
The Township Board
Township of Ishpeming, Michigan

The Township was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

* * * * *

This report is intended solely for the information and use of the Township of Ishpeming, Michigan's board, management, and other legislative or regulatory body and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Ishpeming, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 19, 2006